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SUBJECT: SERBIA: PLANNING AND CONSTRUCTION LAW ENACTED

REF: BELGRADE 725; BELGRAGE 801; BELGRADE 791

SUMMARY

11. (SBU) On August 31, Serbia's parliament passed the Planning and Construction law, which will streamline construction permitting and clarify land ownership issues, but which has also been strongly opposed by domestic and international restitution claimants. Following the passage, Charge met with the law's sponsor, Environment and Zoning Minister Oliver Dulic, to state our continued concerns about the legislation and to encourage him to work closely with the Finance Ministry to support the finalization and implementation of a comprehensive restitution law as soon as possible. Despite the government's insistence that the newly passed legislation will improve zoning and streamline business processes, the law's passage is a bad signal of Serbia's commitment to transparently and effectively resolve the restitution claims from last century. End Summary.

PARLIAMENT PASSES LAW

12. (SBU) Serbia's parliament passed the Planning and Construction Law on August 31, with 122 out of the 129 Members of Parliament present voting in favor of the law. The law focuses on zoning and urban planning, property rights on construction land, construction permitting procedures, and legalization of property titles. The law, however, also greatly impacts pending restitution claims, effectively closing the door on in-kind restitution for construction land. In addition, it envisions allowing current leaseholders of construction land to convert their lease and usage rights into ownerships rights. The proceeds from the conversion cost are to be shared between local government budgets and a "restitution fund" (ref A).

KEEPING PRESSURE ON THE GOVERNMENT

13. (SBU) Building upon our efforts to voice concerns about the legislation and to encourage a fair and transparent approach to restitution (ref B), Charge told Minister Dulic on September 1 that the United States remained concerned about the law and would be carefully watching its implementation. The Charge encouraged Dulic to use an independent trust manager to oversee any restitution fund in order to safeguard such funds from political meddling. The Charge also asked Dulic to work with the Finance Ministry in order to draft and pass an effective restitution law by the end of this year. (The Finance Ministry intends to hold a conference regarding restitution on September 23, with the support of the Council of Europe.)

14. (SBU) Dulic replied that the Planning and Construction law was essential for improving Serbia's investment climate, by streamlining the issuance of construction permits and to provide clear ownership rights. He said several bylaws were needed before the law could be enacted and he said he would work closely with the Finance Ministry on these regulations, particularly those which would oversee the conversion proceeds earmarked for restitution. Washing his hands of

the financial implications of this legislation, Dulic insisted the Finance Ministry would be responsible for managing the future funds marked for restitution.

COMMENT

15. (SBU) While the new Planning and Construction law may streamline business processes and address many of the issues that have pulled down Serbia's competitiveness rankings, its passage has greatly complicated and diminished the hope of an effective transparent restitution law in Serbia. Despite government claims that such a law is coming by the end of this year, we have seen little effort from the Finance Ministry on this issue. As the Planning and Construction law goes into effect, we will be closely monitoring its implementation, particularly with regard to how the values of properties are assessed and how payments to restitution claimants are processed, and will continue to press vigorously for a clear and transparent restitution law. End Comment.

BRUSH